



CREATING NEW VALUE IN HEALTH CARE

RESEARCH HEART PATIENT CARE
SPECIALISTS HEALTH FAMILY CENTERED CONVENIENT
EXCELLENCE PREVENTION HOSPITALS
NEARBY HEALTH SYSTEM EMPOWERED
PHYSICIANS WELLNESS ACCESS ADVANCED
DIAGNOSIS COLLABORATIVE LEADING PHYSICIANS
PERSONALIZED POPULATION PARTNERSHIP
PRIMARY CARE TEAM HEALTH ACTIVE VALUE
AFFORDABLE TECHNOLOGY COMPREHENSIVE LIFESTYLE
PATIENT INNOVATIVE TREATMENT ARE HEALTH
TRUST FAMILY CENTERED TREATMENT SYSTEM
EMR VALUE HEALTHY TEAM TREATMENT TRUST
SPECIALISTS

LEADING ONE HEALTH SYSTEM TRANSFORMING CARE INTEGRATED



MEMORIALCARE[®]
HEALTH SYSTEM
Excellence in Health Care

 MemorialCare Medical Center

 Miller Children's & Women's Hospital Long Beach

 MemorialCare Shared Services

 MemorialCare Physician Group

 MemorialCare Imaging Center

 MemorialCare Surgical Center

 Urgent Care

 Lab Services



SAN CLEMENTE

A MESSAGE FROM THE PRESIDENT & CEO BARRY ARBUCKLE, PhD



It's a pivotal time in US health care—with the launch of public and private health exchanges, mandates for insurance and new dynamics for reimbursement. The litmus test for high value providers is how we rise to the challenge of new payment models that reward greater care coordination and payment for value, rather than volume.

MemorialCare has worked steadily for several years to ensure we're strongly positioned for this nationwide move from traditional models of care to greater consumerism. Our ongoing strategic efforts focus on expanding our integrated system to cover all aspects of the care continuum, from wellness and prevention to diagnosis and treatment—keeping patients healthy and caring for them when they're not.

Bolstered by strong, pluralistic partnerships with the region's top physicians and innovative, strategic partnerships with other leading providers, we're targeting the highest clinical quality and patient experience, while containing costs. We're delivering extraordinary patient centered care and service, while driving continuous improvements using Lean principles. In partnership with leading physicians, we're focusing on wellness and prevention, and improving population health. We're sharing wellness services with other large employers wanting to make the kinds of gains in employee wellness and engagement that our comprehensive employee programs are achieving.

This is how MemorialCare is creating new value in health care.

We're heartened that payors, potential partners, patients and employers are all increasingly discerning about the value equation in health care. They are, in rapidly growing numbers, choosing well and choosing MemorialCare as their health care partner.



IN THE PAST YEAR, WE:

- Expanded the ranks and locations of our award-winning physician groups, MemorialCare Medical Group and Greater Newport Physicians, and grew our alignment with leading independent physician groups.
- Launched the first two of many new physician locations in Orange County, in affiliation with UC Irvine Health.
- Further strengthened partnerships to grow ambulatory services, adding four new outpatient surgery centers to bring our current total to eight.
- Launched a feasibility study in close consultation with the community to transform the San Clemente campus of Saddleback Memorial to a leading ambulatory health care campus.
- Announced our participation in an unprecedented partnership with Anthem Blue Cross and six other leading health systems to launch an innovative health care offering, Vivity.
- Advanced population health initiatives with both patients and employees, to reduce hospital readmissions and better manage chronic conditions.

These high value initiatives and many other efforts to transform health care make us the regional leader by building greater momentum in wellness and prevention, clinical integration, operational efficiency, evidence-based care, and population health.

Our overarching goal is to improve value—for patients, employers, clinicians and partners. For many patients, value in health care means improved health without escalating costs. For employers, it means a healthier workforce with sustainable health coverage costs. And for clinicians, it means being part of a care team that is moving the needle on population health. For MemorialCare, our passion for creating new value in health care means we will continue to grow, to excel and to succeed.

Barry Arbuckle, PhD
President and CEO



Diagnostics



Healthy Diet



Workout Routine



Annual Check-up



Treatment



Well-Being



DELIVERING HIGH VALUE THROUGH SOUND FINANCIAL MANAGEMENT

Embracing sound financial principles and making important transformative moves in health care delivery have helped MemorialCare excel in today's health care environment. Our creation of an integrated health care system, focused on achieving the highest quality at an affordable cost, results in the delivery of the greatest value to our patients and their families, and positions us well for continued success.

FOCUSED ON THE VALUE EQUATION

At MemorialCare, creating new value in health care means challenging ourselves to continuously improve. Our tent pole strategy called PLUC—a highly disciplined emphasis on Productivity, Lean, Utilization Management and Care Model Redesign—makes it possible for us to do what we do best, providing the finest quality care in the most cost-effective way, reducing waste and keeping costs in line and services affordable. With PLUC, we provide support for our clinical programs with faster integration, innovation and engagement for both our employees and our patients.

Smart initiatives that enhance efficiency and improve cost-effectiveness make the difference. Guided by our five-year focus on productivity collaboratives across our system, we saved an additional \$8.5 million this year with further benchmarking to industry standards. Those results are enhanced by our supply collaborative, now in its second year, which evaluates product purchases and creates system wide efficiencies. By leveraging purchases across our entire organization, we also saved \$9 million in 2014. All told, we have saved a net \$120 million since starting our PLUC initiative, freeing up precious resources to reinvest in patient care.

A commitment to value means removing waste, leaving no stone unturned. To that end, Lean principles are infused in MemorialCare's culture, throughout our locations, by our providers and at the system level, helping us increase quality of care, trim costs, increase capacity and provide a better service experience.

 **COLLABORATIVE** **PATIENTS** **EXPANDING NETWORK**
TRANSFORMATIVE **EFFICIENCY**



EFFICIENCY



DELIVERING HIGH VALUE

More than 3,500 MemorialCare employees and physicians participated in Lean redesign events this fiscal year and focused on streamlining processes, enhancing quality and transforming patient care. They worked on projects that ranged from revamping work flow and minimizing delays, to improving the patient experience. Guided by Lean, our teams reduced non-value-added activities, which had a direct impact on lowering costs and improving both the quality of care and safety for our patients. This year alone, we eliminated 415 unneeded process steps, handoffs, queues or wait times. Our ongoing Lean workshops positively impact processing time, quality, materials expense, patient wait time and space allocation.

Lean Measures

Processing time

✓ 57,200 total hours saved

Patient Wait Time

✓ 118,000 total hours of patient wait time eliminated

Materials

✓ \$623,000 total potential materials savings

Space

✓ 1,600 square feet reallocated for patient care use

VALUE COMMITMENT

MemorialCare's commitment to Lean is enhanced greatly by "Gemba" visits. This year we enjoyed an on-site visit from members of the Healthcare Value Network, a group of health care leaders who share a commitment to providing high-quality, cost-effective care through the application of Lean principles. They toured 21 MemorialCare departments, where more than 30 MemorialCare employees offered insights and feedback about our application of these principles. The groups shared many ideas and rated our work highly.

Having a greater understanding of utilization with information at their fingertips helps our physicians make the right decisions for the right reasons. By providing our physicians with Crimson, a powerful online data management tool, we have empowered them with a highly effective lens through which they can view and understand their own utilization information as well as that of a broader group, along with practice patterns and trends that help them deliver value. Championed by MemorialCare's long-standing Physician Society, Crimson has helped us demonstrate a reduction in \$775 per discharge in direct variable costs, a reduction of 0.2 days in length-of-stay, and increased our physicians' ability to see their data in a timely fashion.

"MemorialCare Lean Leaders are leading the way in Southern California by implementing a Lean Management System and transforming health care systems for our patients and communities."

~ BRIAN STUCKMAN, RN, Vice President Material & Lean Resources



AFFORDABLE

MemorialCare Health System

- ★ *Six leading hospitals, including a freestanding children's hospital*
- ★ *Centers of excellence in heart and vascular, cancer, women's health, pediatrics, orthopedics, and minimally invasive surgery*
- ★ *2,600 affiliated physicians (primary and specialty care)*
- ★ *Medical groups*
- ★ *Urgent care centers*
- ★ *Imaging centers*
- ★ *Ambulatory surgery centers*
- ★ *Digestive care center*
- ★ *Home health care*
- ★ *Laboratory sites*
- ★ *Regional health plan*

As an example of the use of Crimson for clinical advances, **David C. Law, MD**, chair of the Physician Society Board, identified the opportunity to improve care and safety by reducing the use of sedatives with elderly patients, helping to reduce the risk of falling as well as preserving respiratory function.

Ultimately, improving systems and workflow processes, reducing waste, increasing knowledge and empowering informed decision-making positively impact both patient care and the patient experience. That comes to life with our Care Model Redesign work, where we have continued our flow redesign in each of our settings. Miller Children's & Women's Hospital Long Beach's focus on diabetes, sickle cell and leukemia care pathways across the continuum has significantly improved the coordination

of care in both outpatient and inpatient settings for our young patients and their parents. Work on patient care redesign in our inpatient, emergency department and surgical care areas at Long Beach Memorial, Orange Coast Memorial and Saddleback Memorial resulted in an additional \$2 million in savings for those efforts alone, which can be reapplied to patient care.

Strategic planning and implementation, coupled with even more innovative ways of continuous improvement, bolstered our financial results this year. With strong performance, we expanded both our reach and our services, even in a climate where payment relationships and the demands of the marketplace continue to evolve. By offering the highest clinical quality and the finest patient experience, along with containing costs, we create new value in health care.



HIGH-QUALITY

EXCELLENCE **COMPREHENSIVE**
STRATEGIC ALLIANCES
NEARBY EMR 





GROWING WISELY TO DELIVER VALUE

From both a geographic reach and service standpoint, MemorialCare has strengthened our position as a comprehensive, integrated delivery system. In just 10 years, we have gone from 7,500 employees and five hospitals with revenues of just more than one million, to 11,200 employees at more than 200 locations, including six hospitals with revenues of just under \$2 billion and total assets of \$3 billion.

IT TAKES A SPECIAL TEAM

For MemorialCare, being responsive to the needs of our communities has resulted in the expansion of our services and in the transformation of the way we deliver care. We have evolved from individual entities, to a health system, and from an emphasis on diagnostics and treatment, to prevention.

We deliver greater value by better serving the needs of our communities, employers and health plans with our “in-house” providers and services and the expertise of our partners. This year, we announced an unprecedented affiliation with UC Irvine Health to increase access to high-quality, cost-effective care in Orange County with state-of-the-art primary care locations staffed by UC Irvine Health physicians and managed by MemorialCare Medical Foundation. These offices are slated for geographic areas where MemorialCare does not currently have a primary care presence, with the first two opening in Tustin and Orange in late 2014. This model adds value to our patients, employees and physicians with MemorialCare providing its well-established infrastructure and extensive experience in practice management and clinical operations, and extending our medical foundation’s health plan contracts to these new locations. Together, we create new value as the only health care partnership in Orange County and southern Los Angeles County to include the entire continuum of care.

Operating MemorialCare’s expansive system also means providing the infrastructure to support our growing health system family.



GROWING WISELY

To streamline service to our hospitals, physicians, patients and the organization as a whole, we are consolidating our Shared Services and MemorialCare Medical Foundation functions from five to two locations. Doing this will accommodate our growth and serve as a template for other employers on how to create an environment committed to workplace wellness and engagement.

MEMORIALCARE[®] SURGICAL CENTER The dynamic health care market, along with our patients' needs and interests, have driven the move from acute care to new ambulatory care models. In fact, new technologies and a commitment to increase access and affordability have paved the way for MemorialCare to offer advanced tests and procedures on an outpatient basis. With our joint venture partnerships, we have opened eight freestanding outpatient surgery centers, including a digestive care center, more than doubling our outpatient surgical offerings. We bring greater value to patients with more surgical options, competitive prices and excellence, with easy access, closer to home.

MEMORIALCARE[®] IMAGING CENTER Our nine American College of Radiology accredited outpatient imaging centers exemplify how ambulatory locations can satisfy patients' needs and deliver value by focusing on the patient experience. MemorialCare Imaging Centers complement our hospital-based imaging services, which meet clinical needs for diagnostic and interventional radiology. These centers offer the most advanced technology with 3T MRI, high field open MRI and Cardiac CT and provide neuroradiology, orthopedic imaging and oncologic imaging. Physicians who refer patients to these centers have immediate remote access capabilities for viewing images, while patients have convenient access to a full range of imaging technologies at competitive prices.

MEMORIALCARE[®] HOME HEALTH Home care is an essential component in our long-term strategy. A new joint venture between Saddleback Memorial and Bridge Homecare Partners, MemorialCare Home Health is offering exceptional and cost-effective home health services in the south Orange County area and beyond.



The integration of Seaside Health Plan into our system unequivocally validates MemorialCare as a full-fledged, fully integrated health system and paves the way for the delivery of increased value in our approach to population health.

DIAGNOSIS
TREATMENT

"A major initiative for MemorialCare is building our relationships with local employers to provide services tailored to their needs. We are currently working with more than 50 employers throughout Orange and Los Angeles Counties."

~ CATHY CAPALDI, Vice President of Clinical Integration and Business Development



CONVENIENT

This plan-to-plan model serves enrollees in Medicare, Medi-Cal, and dual eligibles, along with individuals and families who are currently members of commercial plans that partner with MemorialCare. Seaside is also participating in a California Children's Services demonstration project that addresses the needs of children with certain diseases and ongoing medical conditions.

Families who select Seaside can access more than 80 primary care physicians who are part of MemorialCare Medical Group, Children's Clinic Serving Children and Their Families, Memorial Family Medicine Program and others. Patients can utilize Miller Children's, Community Hospital and Long Beach Memorial for inpatient care. With Seaside, MemorialCare offers greater value to our patients and our communities by playing an even larger role in population health management through Accountable Care Organizations, and providing affordable health care benefits for small employers in our market. We have also paved the way for potential partnerships with other health systems looking for a health plan.

With the first few years' implementation of the Affordable Care Act focused on individual coverage, MemorialCare is an attractive partner as a high value network, particularly given our diligence in delivering quality care and our focus on the cost of care. In fact, MemorialCare was one of only three health care providers in the greater Long Beach area and Orange County chosen to participate in the Anthem Blue Cross EPO product in Covered California. In addition, our hospitals were invited to participate in a Blue Shield network plan. Our involvement in Covered California in its first year provided us valuable experience, which we will translate to a new constituency when larger employers are invited to participate in the exchange in 2017.

MemorialCare understands employers want high value health care strategies to keep their employees healthy and care for them when they're not. Our years of experience providing wellness programs for our own employees has proven that an investment in workforce wellness has a powerful effect on employee engagement and organizational productivity. We now have relationships with more than 50 employers in both Orange and Los Angeles Counties, providing a wide range of services tailored to their needs, including employee health fair participation, executive physicals and occupational health services. The MemorialCare team can also provide companies with wellness partnerships, onsite primary care clinics, more exclusive tailored networks and other customized services.





EMPOWERING PHYSICIAN PARTNERS TO DELIVER THE FINEST CARE

Key to the success of our physician partnerships is the acknowledgement that 'one size does not fit all.' In fact, MemorialCare's pluralistic model offers our physicians many choices within the MemorialCare family. The close working relationships we have with our physicians is vital to our ability to provide the comprehensive, affordable, integrated care that is MemorialCare's hallmark.

THE MEMORIALCARE DOCTOR WILL SEE YOU NOW



With locations stretching from Long Beach to San Clemente, MemorialCare Medical Group now has more than 200 primary care physicians onboard and more than 1,350 specialists. Our Greater Newport Physicians IPA continues to expand, with more than 175 primary care affiliated physicians and 700 specialists. Our rapidly growing population of patients is looking for value when choosing a physician who can deliver the highest quality care with the depth of support from a health system. We are seeing significant increases in patient volume, especially during this past year's



An Affiliate of MemorialCare Health System

open enrollment period. We saw 9.4 percent growth in senior enrollment or 3,500 new patients alone for our medical group. We are also proud that more than 180,000 patients choose MemorialCare to provide the full continuum of managed care.

Our physicians and their approach to advocating wellness and prevention, along with delivering the finest quality care, is critical to the way we serve our patients. Of equal importance are the many ways we serve our physicians. In order to allow our physicians to do what they do best, and minimize the duplicative nature of the credentialing process, we are creating a central verification office to launch in spring 2015.

COMPREHENSIVE
AFFORDABLE ^{INTEGRATED} CARE
PARTNERSHIP

SUPPORT





EMPOWERING PHYSICIAN PARTNERS

Using a Lean approach, this office will employ a new shared software platform and central repository for information that will allow physicians to apply to be on staff at our facilities or Medical Foundation, using one application that will be entered into a common database and minimizing the need to apply for credentialing and re-credentialing at each MemorialCare entity.

We continue to roll out our Ambulatory EMR (AEMR), myMemorialCare, to our physician partners as a means to offer high value to patients. This comprehensive AEMR solution provides an independent seamless connection to MemorialCare Health System facilities and affiliates along with an electronic medical record for patients. Nearly 500 providers and 2,140 of their staff now use MemorialCare's AEMR tools, helping improve care coordination and reinforcing the benefits of being served by a physician who is backed by the resources of a multi-dimensional, highly connected health system.



MEMORIALCARE[®]
MEDICAL FOUNDATION

There are many benefits for physicians who partner with MemorialCare, including the multiple ways our system supports their livelihood. We have expanded our relationship with our Medical Foundation physicians with investment opportunities, helping to bring value to their bottom line. We currently have five real estate investment groups in partnership with MemorialCare Medical Group physicians with locations throughout Orange County, and this year we offered similar investment opportunities to our IPA physicians who are part of Greater Newport Physicians. In addition, we have many other joint venture and investment opportunities for independent physicians currently underway.



MEMORIALCARE[®]
PHYSICIAN SOCIETY

Our MemorialCare Physician Society, established in 1996, continues to guide our performance and emphasis on superior outcomes, ensuring we keep our eye on delivering the best value and constantly raising the bar for clinical quality.

ADVOCATING
WELLNESS

"Our Physician Society is always looking for ways to improve the care we provide our patients. A main initiative this year involves the concept of overdiagnosis. We are challenging our physicians to fully consider the risks or side effects of the diagnostic tests they are ordering."

~ DAVID LAW, MD, Physician Society Board Chair



INNOVATION

PARTNERS

We greatly appreciate the efforts of our 14 clinical best practice teams who worked tirelessly this year to guide and further enhance care across our health system.

Our physician partners are actively involved in our Physician Society Best Practice teams and in leadership roles at each of our campuses, spearheading many new initiatives, from embracing innovative technologies to developing guidelines and order sets that guide clinical integration and care.

Most recently, in their effort to raise the bar for quality, our Physician Society Board joined the growing dialogue about the issue of overdiagnosis—focusing on asymptomatic abnormalities or conditions that will never progress. Their robust dialogue questions the assumption that the best way to keep people healthy is through aggressive diagnostics and procedures, which may lead to over-testing and undue emphasis on diagnoses that do not preserve quality of life. To support this work, the Physician Society is leading efforts to pilot a new EMR alert system, Choosing Wisely, which allows physicians to fully consider the need to order certain diagnostic tests or clinical interventions where they may carry additional risks, side effects or cost.

In addition, the Physician Society is leading efforts to increase vaccination rates. Since 2009, as part of our commitment to ensuring our patients are not exposed to influenza while in our care, MemorialCare has required all staff and physicians to either be vaccinated or wear a mask during the flu season. Taking an even wider view on immunization, and in light of growing concerns that declining pediatric vaccination rates have led to a resurgence of serious childhood diseases such as measles, MemorialCare's Pediatric Best Practice Team is spearheading system wide recommendations and educational efforts to increase vaccination rates for key pediatric diseases.



IMMUNIZATION

PREVENTION

PATIENT SATISFACTION 

PERFORMANCE ADVANCED TREATMENT





QUALITY DEFINES THE VALUE PROPOSITION

At MemorialCare, we are deepening our value proposition by increasing our knowledge and insight about the level of quality care we deliver. More than 14,000 MemorialCare physicians and team members are committed to delivering the greatest value for our patients and improvements in population health. We are generating positive outcomes and patient satisfaction, as well as ensuring consistency and excellence as we continue to expand the health system.

DELIVERING ON OUR PROMISES

Along with an increase in consumerism comes a need for greater transparency and new metrics and tools to help us gauge quality measures and report our results. We made major strides in achieving Bold Goals for quality and safety in our aim for “perfect care,” touching more than 46,000 lives since 2007 and more than 9,800 this past year alone, our highest ever. Our focus on improving patient safety resulted in a 35 percent reduction in mortality from bloodstream sepsis, a 22 percent reduction in overall mortality, further reductions in infections and a drop in pressure ulcers by 91 percent since we started this work in 2006. In addition, the MemorialCare Medical Foundation, including both the medical group and the IPA, has made considerable strides in preventive care with improvements in immunization rates, cancer screenings, diabetes and asthma care, with more than an additional 1,350 patients receiving their necessary screening this year.

TOUCHING LIVES IMPROVING OUTCOMES

MORTALITY RATE

REDUCED 22%



SEPSIS MORTALITY per 100

REDUCED 35%



■ BASELINE

■ % REDUCTION IN FY2014

CENTRAL LINE INFECTIONS per 1000

← REDUCED 92%

PRESSURE ULCERS per 1000

← REDUCED 91%



QUALITY DEFINES

Today, health care value metrics emphasize the goal of building healthier communities with a larger role for both prevention and outpatient care. This year, we have made significant advances in population health initiatives, with a focus on improving the health of cardiac, diabetes and cancer patients, as well as complex case management for high risk and rising risk patients. That means even more emphasis on sharing best practices across our entire system and embracing the most advanced population health management strategies. In fact, we achieved significant improvements within a number of population segments, delivering value by improving the patient care experience, and, in many cases, reducing costs. For example:

- *Greater Newport Physicians' ACTIVE program for diabetes reduced the percentage of patients with high Hemoglobin A1C levels to 17 percent, beating the top percentile mark of 19 percent.*
- *Orange Coast Memorial's nurse-led education clinic for heart failure patients developed an electronic referral process for patients with a congestive heart failure diagnosis. This innovative new approach, coupled with inpatient education and follow-up visits within seven days of discharge, resulted in a 34 percent drop in heart failure readmissions over the past two years.*
- *MemorialCare Medical Group's and Saddleback Memorial's increased focus on chronic obstructive pulmonary disease (COPD) screening more than doubled the rate of outreach to this often under-recognized patient population, resulting in improved care and follow-up.*
- *Long Beach Memorial has established a referral network for patients without a medical home to our Memorial Family Medicine Center and our affiliate, The Children's Clinic, now successfully "tucking in" more than 1,100 additional patients with a primary care practitioner, reducing unneeded Emergency Department visits and reducing preventable readmissions.*

Innovation and quality care must be accompanied by extraordinary patient service. Both our service orientation and programs, including our "Service Always" approach and continuous pursuit of improving patient experience through Lean redesign, have shown excellent results. More than 70 percent of those we care for on an inpatient basis rate us a 9 or 10, which is a 28 percent improvement over the past four years. In fact, MemorialCare Medical Group was ranked by *Consumer Reports* in the top 30 percent of all medical groups in California for patient satisfaction.

POSITIVE
OUTCOMES

"I felt so overwhelmed by my diabetes requirements. I almost gave up hope of managing it. I felt it couldn't be done. Greater Newport Physicians' ACTIVE team felt it could be and are kindly teaching me how."

~ Patient in Greater Newport Physicians' ACTIVE Diabetes Program



EXTRAORDINARY

PERFORMANCE

Perhaps the ultimate expression of delivering value is the work we are doing in the coordination of care, which means the seamless delivery of quality care for a patient, resulting in better outcomes, improved patient satisfaction and lower costs. This not only meets patients' needs, but also speaks to the interests of government and private insurers as well as health plans and employers who are looking to us to provide the full continuum of care in the most cost-effective manner possible.

We are taking a strategic approach to clinical integration for our key centers of excellence with an initial focus on MemorialCare Heart & Vascular Institute (MHVI), where we are moving from a campus-specific to a system wide strategy with a focus on measurable quality and coordination of care across our region. Now, we are marketing MHVI as one brand, capitalizing on the strengths of each hospital, avoiding duplication of services and engaging physicians across the system. That has been particularly valuable to the launch of Transcatheter Aortic Valve Replacement (TAVR) at Long Beach Memorial. Patients we serve throughout our geography now have an important resource for this specialized surgery sparing procedure, while MHVI becomes known across the region for innovative, advanced treatment.

Implementing programs to help ensure quality care and value has delivered improved performance at our hospitals. With that success, we are poised to benefit from pay-for-performance and value-based purchasing models of reimbursement. These programs, developed by payors, reward hospitals for practicing evidence-based medicine and embracing best practices. During the past three years, we have seen the total amount of pay-for-performance and value-based payment dollars grow from \$8 million to now more than \$16 million, with further increases in these programs expected from our payors over the next few years. Our focus on improving the reliability of care, improving safety by reducing harm such as infections and pressure ulcers, reducing readmission rates through our population health focus, and reducing the cost of care have all resulted in positive recognition. For example, we earned 93 percent of the possible pay-for-performance payments from one of our health plans, and Medicare recently awarded us 93 percent of the possible "earn back" related to our focus on reducing readmission rates for heart failure, acute heart attack, pneumonia, COPD, and hip and knee surgery.





LEVERAGING TECHNOLOGY TO MAXIMIZE CARE

The use of information technology to capture and share data appropriately and securely helps make integrated, coordinated care a real possibility. From our leadership in electronic medical records (EMR), to our investments in the medical technologies of the future, MemorialCare is directly engaged in innovating to create new value in health care.

INVESTING IN INNOVATION

Our advancement of the use of EMR, in which we led the industry by implementing a system eight years ago, has robust benefits to our patients and our providers. With the right tools, caregivers have immediate access to the latest information about their patients, including allergies, recent tests and diagnoses, as well as our Physician Society-sponsored best practice guidelines. At the same time, patients have immediate access to their own information, enhancing the patient/physician partnership and ensuring the effectiveness of our continuum of care.



*my*MemorialCare

We owe much of the remarkable success of our EMR system to our physicians who are fully committed to computerized physician order entry. Not only does use of our EMR make a meaningful impact in our delivery of better, safer care for our patients, but it also allows us to earn “meaningful use” incentives from the government. In fact, as a result of the use of EMR in our hospitals, MemorialCare will have earned \$25.5 million in meaningful use payments by the end of calendar year 2014 (the program began in early 2012). We anticipate earning a total of \$32.7 million by 2016. In addition, physicians using our ambulatory EMR tool, myMemorialCare, have received \$5.3 million to date, and expect to receive more than \$1.5 million in 2014.



INNOVATION
COMMUNICATE PATIENT PORTAL
ADVANCED TEAM ACCESSIBLE





LEVERAGING TECHNOLOGY

Innovation also becomes very important to help our patients play an even more active role in their care. In addition to enhancing the functionality of myChart, our patient portal, we launched an inpatient version so MemorialCare hospital patients can view their health profile privately and securely at their own convenience, during or after their hospital stay. With this online portal, patients can request appointments and prescription renewals, communicate with physicians, receive tests online and better understand their discharge instructions.

And in this brave new world where almost everything is mobile, we also launched the myChart app, literally placing

information at patients' fingertips and making their health profile more accessible than ever before. More than 50,000 of our patients are now actively using myChart, while more than 134,000 are using the Next MD patient portal through our Greater Newport Physicians IPA.



INNOVATIVE
TECHNOLOGY

Capturing and reporting accurate information is not only important to the coordination of patient care, but also to tracking population health statistics. While the nation's plans to move to a new system of diagnosis and procedure coding, called ICD-10, in the fall of 2014 are now postponed to fall 2015, MemorialCare is continuing extensive preparation. We are also making necessary changes to our EMR to ensure we will be completely ready to adopt the new technology and billing practices. That work has some immediate benefits to our patients and our operational procedures. Enhanced clinical documentation results in better communication between practitioners for clinical diagnoses, improves calibration of patients' severity of illness, facilitates an even more robust and comprehensive care plan for our patients, and, through advanced analytics, helps us understand the health care needs of entire populations of patients.

"The partnership between MemorialCare and Cedars-Sinai offers a remarkable platform for entrepreneurs to gain the medical and technological insights critical for widespread adoption of products that positively impact health care."

~ BRANT HEISE, Summation Health Ventures Managing Director



COMPREHENSIVE

EFFE
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MEMORIALCARE®
INNOVATION FUND

Beyond embracing advances in information technology, we have two decades of experience supporting health care innovators with our MemorialCare Innovation Fund. Yet another powerful tool for value creation, this fund is a strategic investment vehicle that makes venture investments in early- to mid-stage companies focused on medical devices, health care information technology or health care services. At the same time, it aligns talented technology developers with the pool of health care talent, experience, knowledge and opportunity available through MemorialCare Health System. There are many success stories, including our work with Tyrx, a company focused on creating unique, cost-effective solutions that address surgical site infections and inflammatory tissue reaction associated with implanted medical devices. We are proud to report that Tyrx was acquired by Medtronic in January 2014. In addition, our work with PerfectServe is an example of the critical role of communications in the delivery of care. A unified clinical communications company with technology that routes information, calls and messages to the right clinician at the right time and across the care continuum, PerfectServe provides physicians with complete control over how they are contacted. This significantly improves the coordination of care and fosters fast, accurate and secure communication from clinician to clinician.

In order to accelerate innovative technology and deliver new value in health care to benefit our patients, this year we partnered with Cedars-Sinai Health System in a pioneering move to form Summation Health Ventures. This strategic health care investment fund will focus on investments in start-ups, which are privately held, early- to mid-stage health care companies that have the management strength, growth potential as well as products and services to improve quality of care, enhance patient experiences and decrease costs. With support from Summation Health Ventures, which is equally owned by MemorialCare and Cedars-Sinai, these companies will have access to capital to increase the innovative development of information technology, technology-enabled services and technology-centered medical devices.



TRANSFORM **EMPOWERED**
POPULATION HEALTH 
CULTURE COLLECTIVE
FUTURE





A CULTURE OF WELLNESS AND SUCCESS

MemorialCare has created a culture rich in communication, respect and investment, and offers a favorable working environment and a commitment to employee health. This approach drives real business outcomes and encourages and rewards employees for making contributions and investing in our collective future.

CREATING VALUE TOGETHER



Our delivery of the best value in health care begins at home with wellness and disease management programs that have made a significant and positive impact on many of our employees. Merely seven years “young,” our highly innovative employee wellness program,

The Good Life, has been so successful that it is now a model for other employers who are eager to create a healthier workplace. This comprehensive program supports employees to make lifestyle choices that reduce the risk of heart disease and stroke, type 2 diabetes and cancer. Employees have access to confidential personal health assessments, onsite biometric screenings, onsite gyms, weight management programs, telephonic wellness coaching, an online wellness portal, walking workstations and height-adjustable desks, smoking cessation programs, fitness classes, healthy food options and more. Eighty-seven percent of employee survey respondents report that they have increased their knowledge and awareness of their wellness as a direct result of The Good Life.



As The Good Life has grown, so have the number of employees who volunteer to participate in our confidential In Balance program for those who have diabetes, hypertension or high cholesterol.



A CULTURE OF WELLNESS

As part of the program, participants receive condition-related medication and onsite wellness coaching at no cost, reducing medical complications and bettering health outcomes. With 126 employees participating to date, we have seen marked improvement in key measures, including an overall 0.9 reduction in average Hemoglobin A1C (blood sugar control) for those patients with diabetes, and an average reduction of 20 mmHg in systolic readings and 13 mmHg in diastolic readings for those patients with high blood pressure.

Employee Fitness Challenges

Steps
✓ 3,022,356,003

Miles
✓ 1,502,178

Minutes of Exercise
✓ 1,938,002

Weight Watchers at Work
✓ 10,861 Pounds Lost

HEALTH RESOURCES

The Good Life and all of its initiatives, including In Balance, are not only good examples of what workforce health and wellness can deliver, but provide excellent “test cases” for implementing best practices in population health.

We took the idea of rewarding healthy behavior to a new level by integrating wellness with benefits as we introduced The Good Life Medical Insurance Plan with PPO and HMO options. The plan provides lower premiums, deductibles and co-pays for employees who participated in The Good Life wellness program. Fifty-nine percent of MemorialCare employees, or 5,000 out of 8,400 eligible employees, took the required wellness steps to qualify, including completing a confidential online health risk assessment and a biometric screening and being nicotine negative or completing a smoking cessation program. In addition, more than 2,000 employees took advantage of the MemorialCare Value Network HMO, offered this year as a tailored network that includes our hospitals and MemorialCare Medical Group and Greater Newport Physicians.



"Before The Good Life In Balance program, I took my diabetic medication three times per day. Now I am medication free and get to enjoy more of the things I love to do, such as hiking and photography."

~ MAX BIGELOW, Supervisor of Central Equipment Services, Long Beach Memorial



ACKNOWLEDGEMENT

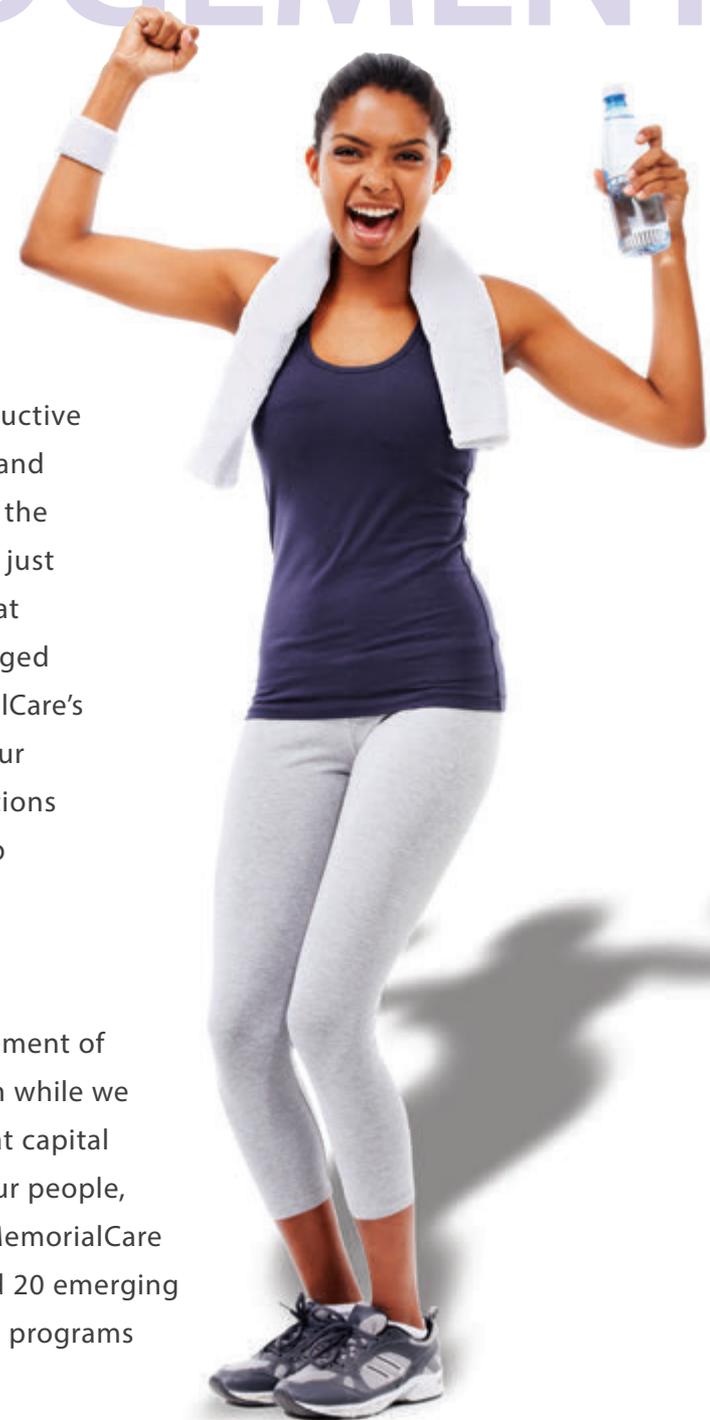
To make it easier for employees to track their completion of plan eligibility requirements and to provide them with additional health resources, we launched an online wellness portal. All employees who use this wellness portal have access to a personal health scorecard, exercise and nutrition planners, wellness coaching, and wellness challenges, along with the option of daily health and wellness tips sent via email.

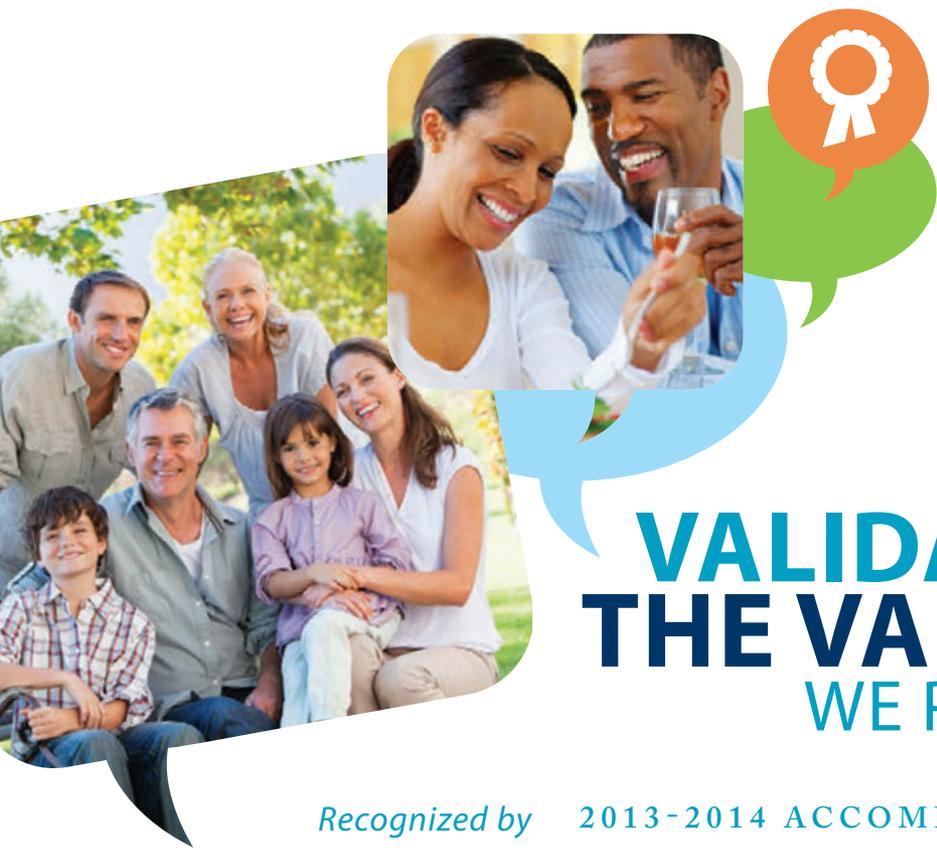


Not only are engaged employees more productive and safer, they are more customer-focused, and their support is vital to our ability to deliver the excellent quality care and service that defines our value proposition. That's just one of the many reasons we have created an environment and a culture that is engaging and supportive. While the average ratio of engaged to disengaged employees in health care organizations is 4:5, according to Gallup®, MemorialCare's ratio is 6:1. In a testament to our success, we were recently honored with our fourth consecutive Gallup Great Workplace award, one of only 36 organizations worldwide to receive the award this year. In selecting MemorialCare, Gallup compared our employee engagement results to nearly 920,000 work teams in 175 countries.



The Gallup award honor is an acknowledgement of our ability to create a great workplace, even while we expand the system with new ventures and new staff members. We know that capital investments in our organization are not complete without investments in our people, which help us develop the leaders of tomorrow. Since 1998, we have held MemorialCare Leadership Academies, graduating 355 managers, 65 leading physicians and 20 emerging nurse leaders from dedicated management, physicians and nurse education programs that provide mentoring and the tools and resources to build strong leaders.





VALIDATING THE VALUE WE PROVIDE

*Recognized by
U.S. News & World
Report for Excellence
in Cancer; Diabetes
& Endocrinology;
Ear, Nose & Throat;
Gastroenterology;
Geriatrics; Gynecology;
Nephrology; Neurology
& Neurosurgery;
Orthopedics;
Pulmonology;
and Urology.*

2013-2014 ACCOMPLISHMENTS

We are continuously challenging ourselves to create even more value for our patients. We define the greatest rewards as those that come from the opportunity to deliver the finest quality care, do more for our patients and exceed their expectations. We are honored by the recognition we received this year.

Long Beach Memorial, Orange Coast Memorial and Saddleback Memorial all ranked among California's best hospitals as "high performing" in multiple specialties by *U.S. News & World Report 2014-2015 Best Hospitals* for the fourth consecutive year, with Long Beach Memorial ranking as one of the nation's best in the Diabetes and Endocrinology category. All three hospitals also ranked within the top 30 hospitals in Los Angeles and Orange Counties, and were recognized at the state level. This is a very high honor since only 15 percent of hospitals are recognized for high performance, among their region's best. In conducting its evaluations, the publication measures clinical specialties on such factors as patient survival rates, the use of advanced technologies, patient volume, patient safety, reputation for developing and sustaining high-quality care, nurse staffing and patient services.



TOPHONORS
HIGH PERFORMANCE
AFFORDABILITY
SUCCESS

HEALTH RESOURCES





VALIDATING THE VALUE

Long Beach Memorial, Orange Coast Memorial and Saddleback Memorial (Laguna Hills and San Clemente) were once again honored with an “A” Hospital Safety ScoreSM by The Leapfrog Group, an independent national nonprofit run by employers and large purchasers of health benefits. All four hospital campuses were acknowledged for their commitment to keeping patients safe from infections, injuries, and medical or medication errors.

In addition, our health system was once again recognized in the nation’s Integrated Delivery Networks Top 100 list, earning a top 17th spot for our work on integration of care, physician networks and quality outcomes. Our medical groups, MemorialCare Medical Group and Greater Newport Physicians, achieved top honors from a number of statewide organizations. Both of them received the Integrated Health Association award, which they have received every year since 2002. This award recognizes quality improvement, accountability and affordability among nearly 200 physician organizations representing approximately 35,000 physicians.

Meanwhile, in the Medicare Stars Physician Group Care Ratings, Greater Newport Physicians earned 5-star performance on such clinical care measures as screenings for breast cancer and colorectal cancer and multiple screenings for diabetes care, while MemorialCare Medical Group received a near perfect 4.5 stars. Both medical groups were honored by the California Association of Physician Groups (CAPG) with Elite Status of four stars, which is the highest rating for medical groups in California. CAPG’s Standards of Excellence program for the Association’s 150 medical group members measures how physician organizations improve quality, safety, affordability, access, communications, care continuity, health information technology, public accountability, cultural sensitivities and responsiveness. Acknowledging MemorialCare’s role as a major regional employer, the *Orange County Register* named both MemorialCare’s Shared Services and Orange Coast Memorial in its list of the “100 Best Places to Work.” Based on a survey of employees from more than 1,000 companies across Orange County, this list includes employers who rank high for both compensation and benefits as well as favorable workplace environments.

QUALITY
EXCELLENCE

SENIOR EXECUTIVES AND THE BOARD OF DIRECTORS

FISCAL YEAR 7/1/13 – 6/30/14

MemorialCare Health System

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Physicians*

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Chief Financial Officer

MemorialCare Health System

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OUR FINANCIAL RESPONSIBILITY

	7/1/13 – 6/30/14
REVENUES	
Our services produced total billings of	\$ 1,531,414,000
We underwrote the cost for uncollectible accounts	(92,098,000)
Therefore, our net revenue from patient services was	1,439,316,000
In addition, our other operating revenues were	379,844,000
Our net investment income (loss) was	65,735,000
And non-operating revenue was	10,054,000
Thus, our total revenues were	\$ 1,894,949,000
EXPENSES	
Salaries, wages and benefits	\$ 922,177,000
Food, drugs and other medical supplies and services	776,984,000
Depreciation and amortization	101,337,000
Interest expense	10,590,000
All of these operating expenses totaled	1,811,088,000
This left the following balance of revenues over expenses, which will be reinvested in the communities that we serve	\$ 83,861,000
OUR TOTAL ASSETS	
The total assets for the communities we serve were	\$ 3,079,700,000

	FY14
COMMUNITY BENEFITS	
Charity care	\$ 18,414
Unpaid costs of Medi-Cal	103,143
Unpaid costs of Medicare	55,918
Others for the economically disadvantaged	5,322
Education and research	15,026
Others for broader community	4,038
Total quantifiable community benefits	\$ 201,861
PATIENT CARE ACTIVITY	
Licensed beds	1,546
Patient days with newborns	309,839
Average census	849
Patient discharges	68,841
Surgeries	34,480
Babies delivered	10,262
Emergency Department visits	198,647
Home Health visits	40,029
Total capitated lives	174,768
HUMAN RESOURCES	
Total employees	11,192
Medical staff physicians	2,651
Resident and fellow physicians	526
Medical students	325
Volunteers	2,044
Volunteer hours	165,364

OUR PHILANTHROPIC SUPPORT



Long Beach Memorial Medical Center & Miller Children's & Women's Hospital Long Beach

MEMORIAL MEDICAL CENTER FOUNDATION

FISCAL YEAR RESULTS	FY14
TOTAL ASSETS	\$ 183,487,000
INCOME/GROWTH	
Philanthropic Gifts	\$ 11,456,000
Support Groups	\$ 485,000
Investment Income	\$ 22,210,000
CONTRIBUTIONS BACK TO COMMUNITY	
Education, Research, Community Benefit Programs	\$ 4,664,000
Capital and Equipment	\$ 7,340,000

Orange Coast Memorial Medical Center ORANGE COAST MEMORIAL FOUNDATION

FISCAL YEAR RESULTS	FY14
TOTAL ASSETS	\$ 2,333,000
INCOME/GROWTH	
Philanthropic Gifts	\$ 766,000
Auxiliary Contributions	N/A
Investment Income	N/A
CONTRIBUTIONS BACK TO COMMUNITY	
Education, Research, Community Benefit Programs	\$ 11,000
Capital and Equipment	\$ 48,000

Saddleback Memorial Medical Center in Laguna Hills & San Clemente

SADDLEBACK MEDICAL FOUNDATION

FISCAL YEAR RESULTS	FY14
TOTAL ASSETS	\$ 131,647,000
INCOME/GROWTH	
Philanthropic Gifts	\$ 4,957,000
Auxiliary Contributions	N/A
Investment Income	\$ 13,268,000
CONTRIBUTIONS BACK TO COMMUNITY	
Education, Research, Community Benefit Programs	\$ 160,000
Capital and Equipment	\$ 7,707,000



LONG BEACH MEMORIAL MEDICAL CENTER

2801 Atlantic Avenue, Long Beach, CA 90806
(562) 933-2000

MILLER CHILDREN'S & WOMEN'S HOSPITAL LONG BEACH

2801 Atlantic Avenue, Long Beach, CA 90806
(562) 933-5437

COMMUNITY HOSPITAL LONG BEACH

1720 Termino Avenue, Long Beach, CA 90804
(562) 498-1000

ORANGE COAST MEMORIAL MEDICAL CENTER

18111 Brookhurst Street, Fountain Valley, CA 92708
(714) 378-7000

SADDLEBACK MEMORIAL MEDICAL CENTER

In Laguna Hills

24451 Health Center Drive, Laguna Hills, CA 92653
(949) 837-4500

In San Clemente

654 Camino de los Mares, San Clemente, CA 92673
(949) 496-1122

MEMORIALCARE MEDICAL GROUP

Locations throughout Los Angeles and Orange Counties
(714) 665-1600

GREATER NEWPORT PHYSICIANS

Locations throughout Los Angeles and Orange Counties
(949) 574-4575

SEASIDE HEALTH PLAN

2840 Long Beach Boulevard, Suite 120, Long Beach, CA 90806
(855) 833-7747

SHARED SERVICES/MEMORIALCARE MEDICAL FOUNDATION

17360 Brookhurst Street, Fountain Valley, CA 92708
(714) 377-2900

(800) MEMORIAL memorialcare.org